

Exhibit 1

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

RESIDENTIAL CAPITAL, LLC, et al.,

Debtors

Case No. 12-12020 (MG)

Chapter 11

Jointly Administered

DEPOSITION OF CHRISTOPHER JOHN BROWN

DATE: December 18, 2012

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TRANSCRIPT of the deposition, said
deposition being conducted pursuant to Rules
Governing Civil Practice in the Superior Court
of New Jersey, by and before MARK IUZZOLINO,
Certified Shorthand Reporter, License No.
X101103, at the offices of Morrison Foerster,
LLP, 1290 6th Avenue, New York, NY, on December
18, 2012, commencing at 9:34 a.m.

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1 I N D E X T O W I T N E S S E S

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3 WITNESS EXAMINED BY PAGE

4 CHRISTOPHER JOHN BROWN

5 Mr. Rains 8

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10 I N D E X T O E X H I B I T S

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12 NUMBER DESCRIPTION PAGE

13

14 Brown 1 Copy of expert report of 10

15 Christopher John Brown

16 with attached resume

17 Brown 2 Document, XLS No. 45459 46

18 Brown 3 Document, XLS No. 56670 46

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1 Q. What are you an expert in?

2 A. I'm an expert in valuation and, I
3 would say, valuing assets and liabilities and
4 restructuring matters.

5 Q. Are you an expert in mortgage-backed
6 securities?

7 A. I wouldn't say narrowly defined -- I
8 wouldn't say narrowly defined as an expert in
9 mortgage-backed securities, no.

10 Q. Are you an expert in what we call
11 "rep and warranty liability"?

12 A. As it relates to potential legal
13 matters regarding rep and warranty matters, no.

14 Q. Well, specifically rep and warranty
15 litigation or rep and warranty liability in the
16 mortgage-backed security arena.

17 A. Much of the work that I did in
18 connection with Ambac was involving rep and
19 warranty matters, so I'm very familiar with
20 them, yeah.

21 Q. Are you an expert in that area?

22 A. I would say I'm very familiar with
23 the topics.

24 Q. Are you a statistician? Are you an
25 expert in statistics?

1 to page 9.

2 A. Okay.

3 Q. And I direct your attention to
4 footnote 6 at the bottom of the page. I want
5 to make sure, sir, that I understand first what
6 you are not doing in this matter.

7 You've read Mr. Sillman's report?

8 A. I have.

9 Q. You know that he calculates or
10 assumes a number of different rates in his
11 report?

12 A. Yes.

13 Q. You criticize one of them, his agree
14 rate. Correct?

15 MR. JURGENS: Objection to form.

16 A. Correct.

17 Q. You are not offering any opinion
18 about the audit rate that Mr. Sillman used in
19 his report, are you?

20 A. I am not.

21 Q. Are you offering any opinion about
22 the demand rate that forms part of his
23 calculations in his report?

24 A. I am not.

25 Q. Are you offering any opinion about

1 the breach rate that he used in his report?

2 MR. JURGENS: Objection to form.

3 A. I am not.

4 Q. You're not going to offer any opinion
5 as to the reasonableness of any of the
6 assumptions he used in his report. Correct?

7 MR. JURGENS: Objection to form.

8 A. That's correct.

9 Q. Are you going to offer an opinion
10 about the overall methodology by which he chose
11 to calculate risk exposure here?

12 A. No.

13 Q. Do you have an opinion as to whether
14 MBIA or FGIC or other insurers, whether their
15 claims are being excluded or included in the
16 settlement?

17 MR. JURGENS: Objection to form.

18 A. I am not.

19 MR. SMITH: I have the same
20 objection.

21 Q. Pardon me?

22 A. I am not.

23 Q. You offer an opinion about statute of
24 limitations. But if I understand it correctly,
25 you are not offering an opinion as to whether

1 the statute of limitations actually will or
2 will not bar anyone's claim. Correct?

3 A. That's correct. I'm just saying, in
4 my view, there's a risk -- based on the
5 analysis I've done and things that I've read,
6 there's a risk that some of the trusts would be
7 time barred.

8 Q. You're not an expert on whether that
9 risk is remote or real or serious, are you?

10 A. I'm describing that there is some
11 risk. I'm not offering a view as to the
12 severity of that risk.

13 Q. And, in fact, all you know about that
14 risk really is that lawyers have told you the
15 risk exists. Correct?

16 A. And from things that I've read.

17 Q. Written by lawyers saying the risk
18 exists. Correct?

19 A. Yes.

20 Q. You apply some discounts to recovery
21 based on a statute-of-limitation risk in your
22 report. Right?

23 A. Yes.

24 Q. Twenty-five, 50, 75 and 100 percent
25 discounts. Right?

1 A. Correct.

2 Q. Those numbers were given to you by
3 counsel. Is that right?

4 A. Yes.

5 Q. You don't have any opinion as to
6 whether those discounts do or do not reflect
7 reality?

8 MR. JURGENS: Objection to form.

9 A. That's correct.

10 Q. They're illustrative only. Right?

11 A. That's right.

12 Q. You won't offer any opinion as to
13 whether those discounts are reasonable.
14 Correct?

15 MR. JURGENS: Objection to form.

16 A. That's correct.

17 Q. You are not going to offer any
18 opinion about the right way or the proper
19 methodology to use to go about deciding whether
20 the proposed settlement here is or is not
21 within the range of reasonableness, are you?

22 MR. JURGENS: Objection to form.

23 A. I'm sorry. Could you repeat the
24 question?

25 Q. Sure. Let me break it into pieces.

1 Do you understand, sir, what the
2 motion that is before Judge Glenn here is
3 about?

4 A. Yes.

5 Q. What is it about?

6 A. It's about establishing a claim size
7 for the repurchase liability.

8 Q. Do you understand that one of the
9 things Judge Glenn will need to decide is
10 whether the proposed 8.7 billion-dollar allowed
11 claim is within a range of reasonableness?

12 A. Yes.

13 MR. JURGENS: Objection to form.

14 Q. Are you going to offer any opinion as
15 to the proper method to use to determine
16 whether that claim size is within a range of
17 reasonableness?

18 MR. JURGENS: Objection to form.

19 A. I am not.

20 Q. And you have no opinion as to whether
21 the proposed allowed claim of 8.7 billion is,
22 in fact, within or outside of a range of
23 reasonableness.

24 MR. JURGENS: Objection to form.

25 Q. Right?

1 A. No. I simply looked at Mr. Sillman's
2 analysis and looked at some flaws and
3 calculated a new range based on correcting
4 those flaws.

5 Q. If I could be a little more precise,
6 I appreciate that you criticized Mr. Sillman.
7 Right?

8 A. Yes.

9 Q. Your conclusion is, his work doesn't
10 support the 8.7 billion-dollar allowed claim?

11 A. Correct.

12 Q. You don't go the next step and say,
13 "I have an opinion that that number is outside
14 the range of reasonableness"?

15 A. That's correct.

16 Q. You haven't gone and done your own
17 analysis of what the range of reasonableness is
18 or should be?

19 A. No, I have not.

20 Q. We talked about statute of
21 limitations.

22 You're aware, aren't you, that there
23 are other potential legal defenses to the
24 claims that would be asserted here by the
25 trusts and their investors? Right?

1 MR. JURGENS: Objection to form.

2 A. I am.

3 Q. Are you going to offer any opinion as
4 to discounts that ought to be applied as a
5 result of those legal defenses?

6 MR. JURGENS: Objection to form.

7 A. I have not been asked to do that, no.

8 Q. You have no opinion about loss
9 causation, for example?

10 MR. JURGENS: Objection to form.

11 A. I have not been asked to look at
12 that, no.

13 Q. No opinion about materiality?

14 MR. JURGENS: Objection to form.

15 A. I have not been asked to look at
16 that.

17 Q. Do you have any opinion to offer
18 about standing as a legal defense?

19 MR. JURGENS: Objection to form.

20 A. No.

21 Q. Do you have any opinion to offer us
22 as to whether the settlement is the product of
23 arm's-length bargaining?

24 MR. JURGENS: Objection to form.

25 A. No.

1 in performing your work. Right?

2 A. Correct. As a critique of his
3 analysis, I assumed some things about his
4 analysis that may be correct.

5 Q. In any event, you didn't embark as
6 part of your work on reevaluating or
7 criticizing his aggregate loss calculation?

8 A. That's correct.

9 Q. What you did is applied discounts to
10 it based on assumptions you were given by
11 counsel?

12 A. Correct.

13 Q. Could I ask you to turn to paragraph
14 6 of Exhibit 1? This is where you introduce
15 your work. And the last sentence says,
16 "Mr. Sillman used several incorrect inputs in a
17 formula he used in his analysis."

18 If I read your report correctly,
19 you've identified two incorrect inputs.
20 Correct?

21 A. Correct.

22 Q. I mean, you say several, but in
23 paragraph 7 you talk about the agree rate. In
24 paragraph 8 you talk about statute of
25 limitations.

1 "GSE loans." Right?

2 A. Correct.

3 Q. And then he applied a discount to it.

4 Correct?

5 A. Correct.

6 Q. And you think that was the wrong
7 thing to do?

8 A. I think the discount that he used
9 seemed somewhat arbitrary.

10 Q. Well, you don't even like the idea
11 that he used GSE data. Correct?

12 A. Correct. I believe he had actual
13 data to use, and I believe he didn't use that
14 actual data.

15 Q. And the actual data is PLS data or
16 data from the trusts that are at issue here?

17 A. Correct.

18 Q. Is that really the nature of the
19 fight, whether he should have used GSE data
20 with a discount or, on the other hand, whether
21 he should have used the PLS data?

22 MR. JURGENS: Objection to form.

23 A. Yes.

24 Q. I'm going to jump into that in a
25 second, but let me first ask you about the

1 A. I excluded the voluntaries on the
2 view and assumption that those were related to
3 reviews that would come about from the debtor
4 itself as part of their process and wouldn't be
5 applicable for this analysis now, as was also
6 described in the Sillman report.

7 Q. Why are those not applicable?

8 A. Those are not applicable because
9 there would be no argument by the debtor about
10 whether or not they would agree or not if it
11 was -- they were brought about from the debtor
12 itself. It's the debtor who's proposing to put
13 these loans back, one way or the other, as part
14 of their internal QC process, so it doesn't
15 seem as relevant as the nonvoluntaries.

16 Q. Isn't the point of your work to try
17 to figure out how many material defects there
18 are in the population?

19 MR. JURGENS: Objection to form.

20 A. No. Our analysis was a critique of
21 the methodology used by Mr. Sillman.

22 Q. When you made that critique, you
23 didn't care about the number of -- or the
24 incidence of material defects in ResCap's
25 loans?

1 MR. JURGENS: Objection to form.

2 A. I don't know if I cared about that.
3 I'm not sure in what sense of the word you mean
4 that.

5 Q. If you wanted to know how many
6 material defects appeared in the population of
7 ResCap's loans, should you take into account
8 loans that ResCap voluntarily repurchased as a
9 result of material defects?

10 MR. JURGENS: Objection to form.

11 A. That's not the analysis that we did.

12 Q. Why not?

13 A. Because we were doing a critique of
14 Mr. Sillman's work.

15 Q. You were doing a critique without
16 asking the larger question: How many material
17 defects are there in ResCap's loans?

18 MR. JURGENS: Objection to form.

19 A. Correct.

20 Q. Why did you not consider the category
21 "unknown"?

22 MR. JURGENS: Objection to form.

23 A. One, because it was a smaller sample
24 size, and it wasn't clear what -- just by
25 virtue of the unknown aspect of these, it was

1 give two grounds in paragraph 24 for your
2 conclusion that the PLS data are sufficiently
3 robust. Neither of those grounds says anything
4 about work you and your team did. So it's
5 coming a bit of a surprise to me that you did
6 work on this.

7 MR. JURGENS: Objection to form.

8 Is there a question?

9 Q. Yeah, where is the work?

10 MR. JURGENS: Objection to form.

11 A. There's no work that went into the
12 report. There was general background
13 information that I did to get myself
14 comfortable on some of the statements that are
15 being made. I didn't do any work because I
16 didn't view it as something that was going to
17 be that relevant to the analysis.

18 Q. If you did the work, why did you have
19 to rely on counsel's instructions to you to
20 assume that it was robust?

21 MR. JURGENS: Objection to form.

22 A. I don't understand the question.

23 Q. When a statistician decides whether a
24 sample is sufficiently robust to predict
25 outcomes, what kind of methods do they use to

1 A. Mr. Connolly.

2 Q. Who is he?

3 A. He is an expert that the company has
4 used in the past.

5 Q. What's his first name?

6 A. Chris.

7 Q. Chris Connolly?

8 A. Chris Connolly.

9 Q. Where does he work?

10 A. I don't have his background handy. I
11 don't know his background but I know --

12 Q. Does he work at Blackstone?

13 A. No, he does not work at Blackstone.

14 Q. Does he work at MBIA?

15 A. No, he's a consultant for MBIA.

16 Q. How would I find this man?

17 A. I suppose we could put you in touch
18 with him.

19 Q. Did you meet with him in person?

20 A. I had a telephone call with him.

21 Q. Right. What did you say on the call?

22 A. We had a conversation about
23 underwriting standards and -- we had a long
24 call.

25 Q. Did you send him Exhibits 2 or 3 or

1 Q. Isn't that what you and Mr. Connolly
2 did, you just eyeballed the size of the sample
3 and said that must be big enough?

4 MR. JURGENS: Objection to form.

5 MR. BENTLEY: Objection to form.

6 A. I can't speak for Mr. Connolly.

7 Q. Isn't that what you did?

8 A. That is not what I did. I described
9 earlier that I had discussions with
10 Mr. Connolly and I got comfort that way and I
11 also did some general background reading on
12 sample sizes.

13 Q. What are Mr. Connolly's
14 qualifications to be an expert on statistics?

15 A. I'm not familiar with Mr. Connolly's
16 qualifications, though I presume he is well
17 qualified for him to be advising MBIA on these
18 matters.

19 MR. JURGENS: Just note my objection
20 to the prior question.

21 Q. What did Mr. Connolly say about the
22 large number of loans in the disagree
23 rescission requested category?

24 A. I don't recall.

25 Q. Did you ask Mr. Connolly to provide

1 a -- to provide any work product to you on the
2 robustness of the sample size or the data?

3 A. No.

4 Q. Do you understand whether he's been
5 asked to that at trial in this matter?

6 A. I'm not aware of whether he was or
7 wasn't.

8 Q. Let's turn to the statute of
9 limitations.

10 A. Okay.

11 Q. I think you've told us you're not a
12 lawyer. Correct?

13 A. Correct.

14 Q. You're not offering an opinion on the
15 merits of any statute of limitations defense.
16 Right?

17 A. Correct.

18 Q. You're not going to testify about
19 when the statute starts to run, for example?

20 A. No, I'm not going to offer an opinion
21 about when the statute may run or not run.

22 Q. You don't have an opinion about
23 doctrines like equitable tolling?

24 A. No.

25 Q. You're not going to offer an opinion

1 number of years between date of origination on
2 the one hand and a tolling agreement or
3 bankruptcy on the other?

4 A. Well, there's a little more than
5 that, as I described in the report.

6 Q. That's how you decided, first of
7 all --

8 A. First of all.

9 Q. -- whether there was any exposure to
10 a statute of limitations defense.

11 A. Correct.

12 Q. Right?

13 And then you applied damages numbers
14 to that. Right?

15 MR. JURGENS: Objection to form.

16 A. I describe what I do in my report.
17 It's not as simple as that.

18 Q. In any event, as I think you told us,
19 the discounts that you applied, 25, 50, 75, and
20 100 percent, those are given to you by counsel.
21 Right?

22 A. Yes.

23 Q. They're not meant in any way to
24 reflect any opinion by you as to what a
25 reasonable discount should be?

1 A. Correct.

2 Q. You concluded that there could be a
3 discount of as much as 17.6 percent under your
4 analysis. Is that right?

5 MR. JURGENS: Objection to form.

6 A. That's right. That's right.

7 Q. That's in paragraph 39?

8 A. That's correct.

9 Q. What -- what aggregate loss number
10 did you use to calculate that percentage?

11 MR. JURGENS: Objection to form.

12 A. I simply use Mr. Sillman's loss
13 number.

14 Q. Well, he has many loss numbers. He
15 has a range.

16 A. Right, but the 17.6 percent is with
17 reference to the actual trusts and dollar value
18 of the losses within those trusts.

19 Q. Didn't he give a range as to each
20 trust?

21 A. He gave an aggregate, an aggregate
22 number.

23 Q. I guess I'm not understanding why
24 this percentage is not a range, since he
25 provided a range of aggregate losses.

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C E R T I F I C A T E

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